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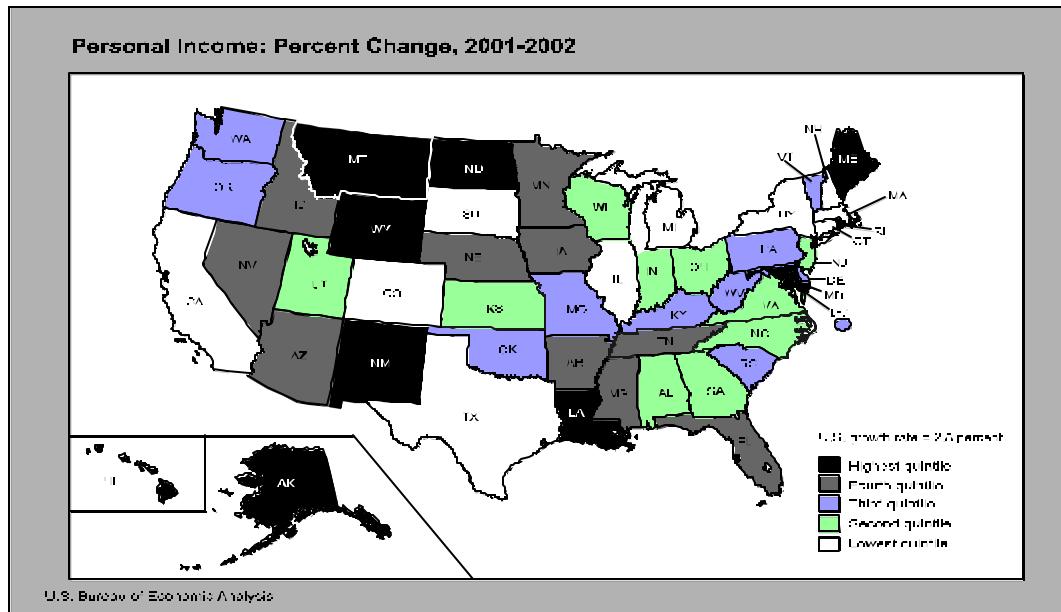


EMBARGOED FOR RELEASE: 9:00 A.M. EDT, Wednesday, April 23, 2003

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Preliminary 2002 Annual and Fourth Quarter State Personal Income and 2002 State Per Capita Personal Income

In 2002, 39 states and the District of Columbia had personal income growth above the national average of 2.8 percent, according to estimates released today by the U.S. Bureau of Economic Analysis. Personal income growth accelerated in 14 states in 2002, in contrast to only 2 states' growth accelerating in 2001. However, overall growth decelerated in 2002 because many of the most populous states were among the slowest-growing. The 10 slowest-growing states accounted for nearly 40 percent of the total population and included the large states of New York, California, and Texas, while the 10 fastest-growing states accounted for less than 7 percent (table 1).



Personal income for the nation grew 2.8 percent in 2002, down from an increase of 3.3 percent in 2001. This was the second consecutive year of slowing growth and the lowest annual growth rate in over 30 years. Seventeen states also experienced their lowest annual growth in over 30 years in 2002.

The slowdown in personal income growth in 2002, which is only available in current dollars, reflected decelerations in net earnings (earnings by place of residence) and in dividends, interest, and rent. Transfer payments grew slightly faster than in 2001 due to a large increase in unemployment benefit payments. Earnings declined in both farms and manufacturing and slowed in most other industries. A decline in interest income partially offset increases in dividend income and rental income.

Personal Income Growth by Component

The pick-up in growth of transfer payments to 10.1 percent in 2002 from 9.4 percent in 2001 was largely the result of a near doubling of unemployment benefit payments from a year earlier. Unemployment benefit payments more than doubled in 14 states and the District of Columbia, and increased by less than 50 percent in only one state, Montana.

Net earnings grew 1.9 percent in 2002, down from 2.4 percent in 2001 and 7.8 percent in 2000 (table 2). Earnings decelerated in 26 states, with New York, Massachusetts, and Colorado experiencing declines in earnings. Before 2002, net earnings in New York had not declined since 1949. The deceleration in net earnings was not as widespread as in 2001 when net earnings decelerated in 46 states.

Property income (dividends, interest and rent) increased nationally by 1.0 percent in 2002, compared with increases of 2.4 percent 2001 and 10.6 percent in 2000. The slowdown in growth is attributable to a decline in interest income, due to low interest rates, as dividend income grew 6.0 percent and rental income grew 3.3 percent. Interest income decreased and dividends increased in all states, while North Dakota was the only state where rental income decreased.

Earnings Growth by Industry

Nationally, earnings by place of work increased 2.0 percent, compared to increases of 2.5 percent in 2001 and 7.7 percent in 2000 (table 3). Government, especially military, contributed the most to earnings growth, followed by services. All other industries made substantially smaller contributions to earnings growth, with earnings in both manufacturing and farming declining (tables 4 and 5).

Government earnings growth contributed the most to total earnings growth in 26 states while services contributed the most in 21 states. In Iowa, farms contributed more than either government or services. In New York, a large decline in finance, insurance, and real estate more than offset growth in services and government. In Massachusetts, a large decline in manufacturing earnings, combined with small declines in transportation and public utilities, wholesale trade, and services, offset growth in the other major industries.

Per capita Personal Income

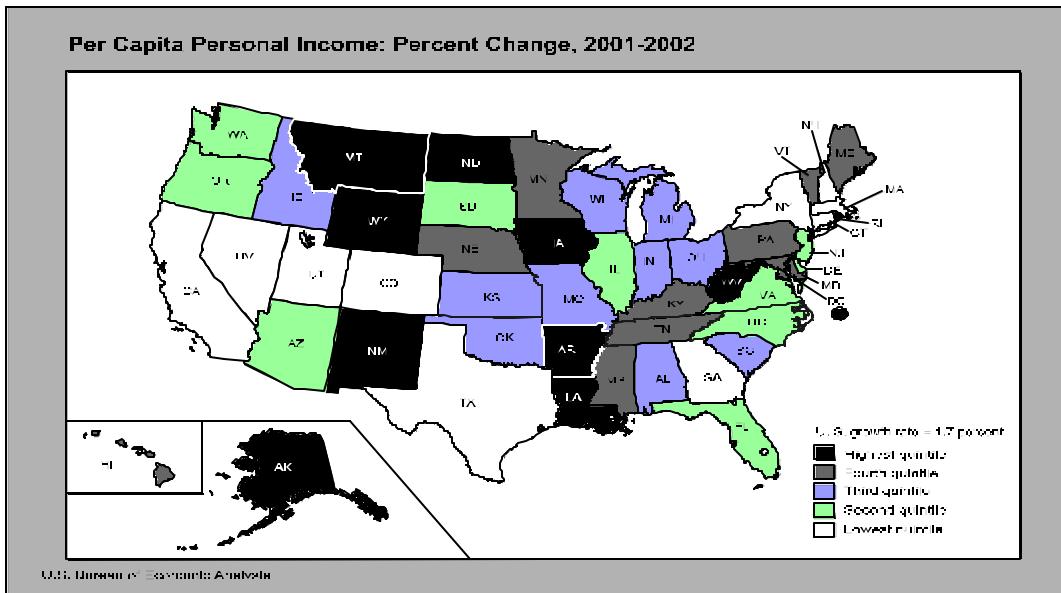
Per capita personal income grew 1.7 percent nationally as personal income grew 2.8 percent and population grew 1.1 percent (table 1). This was the first year since 1958 that per capita personal income growth was below two percent.

The fastest growing states, led by North Dakota, Montana, and Louisiana, each of which grew by more than 4 percent, tended to be relatively small, have below-average population growth rates, and have above-average shares of farms and mining earnings. The slowest growing states, which included the three most populous states (California, Texas, and New York) had

above average population growth. Nevada is notable because its population grew 3.6 percent or more than three times the national average.

The growth in per capita income resulted in very minor changes in state rankings and no changes in the states making up the top- and bottom-ten states.

The ten states with the highest per capita incomes in 2002 have all been in the top ten



since 1997. Connecticut, the state with the highest per capita income in 2002, has been the top state since 1986 and New Jersey, Massachusetts, Maryland, and New York have been in the top 10 every year since 1983.

States with Highest Per Capita Income	Per capita personal income [Dollars]							
	2001r	2002p	Rank in the U.S.		Percent of the U.S. average		Percent change 2001-02	Rank of percent change, 2001-02
			2001	2002	2001	2002		
United States	30,413	30,941	--	--	100	100	1.7	--
Connecticut	42,377	42,706	1	1	139	138	0.8	46
New Jersey	38,625	39,453	3	2	127	128	2.1	32
Massachusetts	38,864	39,244	2	3	128	127	1.0	45
Maryland	35,279	36,298	5	4	116	117	2.9	18
New York	35,878	36,043	4	5	118	116	0.5	47
New Hampshire	33,969	34,334	6	6	112	111	1.1	42
Minnesota	33,059	34,071	8	7	109	110	3.1	17
Illinois	32,990	33,404	9	8	108	108	1.3	38
Colorado	33,455	33,276	7	9	110	108	-0.5	50
California	32,655	32,996	10	10	107	107	1.0	44

Just as there have been few changes in the top ten states, many of the states with the lowest per capita incomes in 2002 have been in the lowest group in recent years. Eight states have been in the bottom ten each year since 1997.

States with Lowest Per Capita Income	Per capita personal income [Dollars]							
	2001r	2002p	Rank in the US		Percent of the US average		Percent change 2001-02	Rank of percent Change, 2001-02
			2001	2002	2001	2002		
United States	30,413	30,941	--	--	100	100	1.7	--
Louisiana	24,454	25,446	44	41	80	82	4.1	3
South Carolina	24,840	25,400	41	42	82	82	2.3	28
Alabama	24,477	25,128	43	43	80	81	2.7	21
Idaho	24,506	25,057	42	44	81	81	2.2	30
Montana	24,044	25,020	45	45	79	81	4.1	2
Utah	24,033	24,306	46	46	79	79	1.1	41
New Mexico	23,081	23,941	47	47	76	77	3.7	5
West Virginia	22,862	23,688	48	48	75	77	3.6	7
Arkansas	22,750	23,512	49	49	75	76	3.4	9
Mississippi	21,653	22,372	50	50	71	72	3.3	12

Fourth Quarter Personal Income

Personal income in the nation grew 0.9 percent in the fourth quarter of 2002, following a 0.5 percent increase in the third and consecutive 1.2 percent increases in the first two quarters of 2002 (table 5). The ten fastest growing states all had above-average net earnings growth, and 8 of the 10 had above-average growth in transfer payments. Nine of the 10 slowest growing states had below average net earnings growth. Net earnings grew at the national average rate in California but property-type income declined faster than in any other state (table 6).

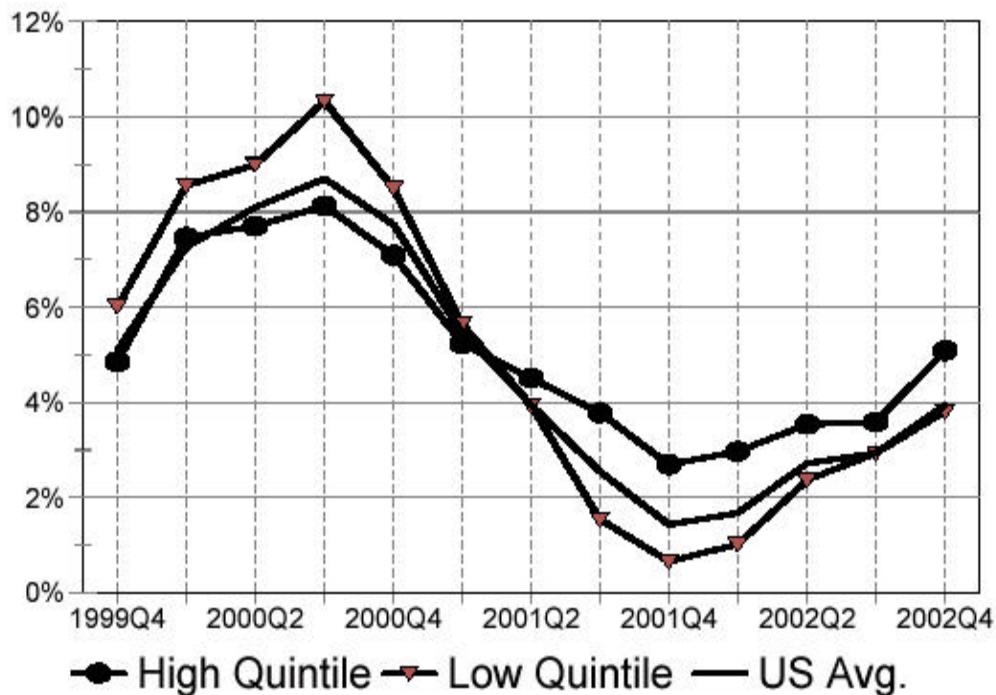
Year to Year Trends in Quarterly State Personal Income Growth

Because quarter-to-quarter changes in state personal income are subject to large swings, it is also useful to look at the change in state personal income in the current quarter relative to the same quarter a year ago. Table 7 and chart 2 show the year-to-year growth rates of quarterly state personal income from the fourth quarter of 1999 through the fourth quarter of 2002.

U.S. personal income increased 3.9 percent from the fourth quarter of 2001 to the fourth quarter of 2002, up from an increase of 2.9 percent in the previous four-quarter period. After peaking at an 8.7 percent annual increase in the third quarter of 2000, the annual change in U.S. personal income declined throughout 2001 and then turned upward in 2002. Similar patterns are evident for the top- and bottom-growth quintile states, where the quintiles are based on ranks of fourth quarter 2002 income growth. Year-to-year growth in personal income has been higher in the top quintile states than in the bottom quintile states since the second quarter of 2001.

In all states, growth from the fourth quarter of 2001 to the fourth quarter of 2002 was higher than from the third quarter of 2001 to the third quarter of 2002. Year over year growth in the fourth quarter ranged from 6.3 percent in Montana to 2.1 percent in South Dakota.

Growth in Personal Income from the Same Quarter a Year Earlier



Note on the Estimates of State Personal Income

In the preliminary annual state personal income estimates presented here, U.S. personal income—the sum of the estimates for all states—increased 2.8 percent in 2002. This growth rate is the same as that in the personal income estimates in the national income and product accounts (NIPA's), which were released March 28, 2003. In July 2002, the NIPA's announced a new methodology and revision schedule for the quarterly estimates of wages and salaries that enabled the more timely incorporation of the comprehensive wage and salary tabulations of employees covered by state unemployment insurance from the Bureau of Labor Statistics. As a result of this change, the estimates for national wages and salaries in the NIPA's and state personal income for the year 2002 are both based on three quarters of comprehensive data from the state unemployment insurance program and an estimate for the fourth quarter based on monthly information from the BLS Current Employment Statistics survey. Both the NIPA and state personal income number will be revised when the unemployment insurance data for the fourth quarter become available.

Definitions

Personal income is the income received by all persons from participation in production, from government and business transfer payments, and from government interest. Personal income is the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and transfer payments. **Net earnings** is earnings by place of work (the sum of wage and salary disbursements (payrolls), other labor income, and proprietors' income) less personal contributions for social insurance, plus an adjustment to convert earnings by place of work to a place-of-residence basis. Personal income is measured

before the deduction of personal income taxes and other personal taxes and is reported in current dollars (no adjustment is made for price changes).

The estimate of personal income in the United States is derived as the sum of the state estimates; it differs from the estimate of personal income in the national income and product accounts (NIPA's) because of differences in coverage, in the methodologies used to prepare the estimates, and in the timing of the availability of source data.

BEA groups all 50 states and the District of Columbia into eight distinct regions for purposes of data collecting and analyses: **New England** (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont); **Mideast** (Delaware, District of Columbia, Maryland, New Jersey, New York, and Pennsylvania); **Great Lakes** (Illinois, Indiana, Michigan, Ohio, and Wisconsin); **Plains** (Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota); **Southeast** (Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia); **Southwest** (Arizona, New Mexico, Oklahoma, and Texas); **Rocky Mountain** (Colorado, Idaho, Montana, Utah, and Wyoming); and **Far West** (Alaska, California, Hawaii, Nevada, Oregon, and Washington).

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Next state personal income release – July 23, 2003, at 9:00 AM EDT for State Personal Income,
First Quarter 2003.

